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To the Citizens of Massachusetts:

For many years, I have described fraud as a "hidden tax" that drives up the price of public programs, consumer prices and the cost of doing business in Massachusetts. The fraud tax is driven in several ways; first, by unscrupulous employers who cheat the health and workers' compensation system by underpaying premiums and misclassifying workers. Second, it is driven by those who illegally collect unemployment benefits and bilk the system, inflating the unemployment insurance taxes that all employers pay. And, third, the fraud tax is driven by recipients of assistance programs who illegally find ways to collect government monies and insurance benefits to which they are not entitled.

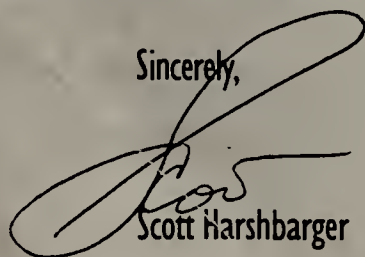
While there is much to be done, the efforts of many in this area are already starting to produce results. Due in large part to the case work of my Insurance Fraud Division, in which hundreds of cases of waste, fraud and abuse have been settled, workers' compensation rates are on the decline. The Workers' Compensation Rating & Inspection Bureau has proposed a seven percent additional cut in rates for next year. If enacted, it would bring the total of rate cuts in the last three years to 33 percent. Prior to 1994, there had not been a premium rate cut for 40 years. The rate cuts of 1994 and 1995 have saved employers approximately \$500,000,000 in annual insurance premiums. That represents \$500,000,000 that can now be used for capital expansion, new jobs, investment and product development by our state's businesses. The rate cuts are a welcome relief to the fraud tax - they are pro-business, pro-consumer and very positive to our economy across the Commonwealth.

Workers' compensation is just one area in which my office continues to fight the fraud tax. Since taking office in 1991, prosecutions for unemployment fraud have returned to the economy nearly \$4 million. Over the past five years, my Medicaid Fraud Control Unit has recovered more than \$23 million taken by unscrupulous health care providers. And, due in part to my Insurance Fraud Division, motor vehicle insurance rates have declined for two consecutive years. Finally, efforts by my Fair Labor and Business Practices division (highlighted on page 2) have returned another \$4 million in back pay to laborers in the Commonwealth.

Make no mistake: our work is far from over. Stealing with the aid of a pen, laptop computer or spreadsheet is just as costly as theft by threat of a gun. White collar fraud is a major expense to the business community and to the welfare of our state. We have only begun to scratch the surface and my commitment is stronger than ever.

Meanwhile, I urge you to continue to do your part. If you have a question regarding business practices, please call one of our Fair Labor offices: Boston (617) 727-3270, Springfield (413) 784-1128, Worcester (508) 792-9404, or Pittsfield (413) 448-8748. To report insurance fraud call the Insurance Fraud Bureau at 1-800-32FRAUD.

Sincerely,



Scott Harshbarger

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Harshbarger Steps-Up Fair Labor Efforts with Opening of Two New Regional Offices

In a continued effort to protect workers and small businesses throughout the state, Attorney General Harshbarger announced the openings of two additional Fair Labor and Business Practices offices in Worcester and Pittsfield. The two new offices join existing operations in Boston and Springfield.

The Attorney General's Fair Labor division responds to a variety of important economic issues, including prevailing wage, minimum wage, overtime, nonpayment of wages and workplace safety questions. In addition, the division answers questions for businesses regarding bidding procedures and other wage and hours issues.

The Attorney General's office was given the responsibility of enforcing the state's labor laws in late 1993. Since that time, Harshbarger's Fair Labor and Business Practices Division has collected more than \$4 million in back pay for workers across the state. Additionally, the office has handled more than 10,000 complaints and 250,000 telephone calls. Since July, 1995, the office has taken in nearly \$1.5 million in back pay and closed more than 2,200 cases statewide.

The new Worcester and Pittsfield offices are located respectively at:

- 340 Main Street, Worcester
(508) 792-9404
- 46 Summer Street, Pittsfield
(413) 447-7324



Massachusetts Drug Diversion Task Force

In February, Attorney General Harshbarger's Medicaid Fraud Control Unit joined forces with the Drug Enforcement Administration, the FBI and the MA State Police Diversion Investigation Unit to create the Massachusetts Drug Diversion Task Force. This group will meet monthly to coordinate and facilitate investigations of physicians and pharmacies engaged in Medicaid fraud and the unlawful distribution of narcotics.



AGO / IFB Host Insurance Premium Fraud Seminar

*Focus on
Law Enforcement
and Prosecution*



On December 7th and 8th, 1995, the Office of the Attorney General together with the Insurance Fraud Bureau presented to insurance professionals a Premium Fraud Seminar. The seminar was designed to help insurance professionals better understand the signs and symptoms of premium fraud as well as teach them how to deter and take action against offenders.

Members of the Office of the Attorney General gave presentations on the roles of law enforcement and prosecution of premium fraud cases to more than 140 attendees of the Seminar. Attendees gave high markings to OAG presenters, and included such comments on their evaluations as, "Powerful Speaker! Interesting Material!," "Made a rather dry subject matter interesting and applicable to the job," "Good practical information," and "Excellent - very friendly and informative - helpful."

The seminar was such a hit, many recommended that, given the importance of the topic to insurance professionals, the presentation be an annual event.

AGO to Play Role in Central Artery Task Force Will Join Watchdog Agencies to Oversee Construction Phase



Pending legislative funding, three watchdog agencies, including the Attorney General's office, have decided to band together to create a task force to oversee the multi-billion dollar construction phase of the Central Artery / Third Harbor Tunnel (CA/T) project. Their purpose: to prevent waste, fraud and abuse of taxpayer funds on the largest public works project in North America.

A team of auditors, attorneys, engineers and financial investigators from Attorney General Harshbarger's office will join members of Auditor Joseph DeNucci's office and that of Inspector General Robert Cerasoli to conduct targeted audits of vendors, review of fiscal controls, recommend systematic management improvements and detect overbilling or other fraudulent practices on the CA/T project.

In an unprecedented multi-agency effort, the task force would work with the House and Senate Post Audit & Oversight Committees to curtail costs and prevent waste on the \$10 billion dollar project. Recently, the task force detailed their plans in a 26-page Central Artery/Third Harbor Comprehensive Oversight Plan, dubbed "CAT/COPs." The plan states that "strong, independent oversight is necessary to guard the public interest... in particular, the interest of taxpayers." It includes provisions to improve watchdog access to revenue and expense data, create focused information sharing between the watchdog agencies, develop joint cost-saving recommendations to the Mass Highway Department and undertake investigations and prosecutions of fraud and corruption. The plan also includes efforts to enforce competitive bidding requirements, monitor cost overruns and change orders, review land takings and mitigation agreements, and insure public accountability of the general contractor hired for the project.

The CA/T project is a major interstate highway construction program involving the expansion, improvement and depression of the Central Artery, as well as the extension of Interstate 90 underneath Boston Harbor to Logan Airport. Presently scheduled for completion in 2004, the public works project will cost an estimated \$10 billion. The CAT/COPs plan represents the first coordinated effort by the state's top three watchdog agencies and the

Legislature's watchdog committees to combine their separate resources with the single goal of preventing cost overruns, wasteful spending and fraud.

REMINDER

Minimum Wage is \$4.75 per hour.

As of January 1, 1996 the minimum wage was increased 50 cents to \$4.75 an hour. Effective January 1, 1997, the minimum wage will again increase to a total of \$5.25 per hour. Service employees, or workers who receive tips, have a lower minimum wage of \$2.55 an hour. While that wage was not increased this year, it is scheduled to increase to \$2.63 per hour on January 1, 1997.

AG's Public Bidding and Prevailing Wage Workshops

In April and October, AG Harshbarger sponsored Public Bidding and Prevailing Wage Workshops for awarding authorities, public officials and contractors. The workshops, held respectively in Dartmouth and Worcester, provided area officials and contractors with the opportunity to gather information and resources they need to comply with the public bidding and prevailing wage laws.

Attorney General Harshbarger and members of his staff presented opening remarks to hundreds of municipal and state procurement officers, town managers, school system business managers and contractors. Topics covered included prevailing wage responsibilities and hearings, certified weekly payrolls, duties of a clerk of works, proposed legislation, and official advisories. Attendees were provided with written materials outlining the steps to compliance.

The workshops were modeled after one held last May in the greater Springfield area. Participants at the May event recommended the implementation of a series of regional seminars based on that educational experience.

Notice for Municipalities Regarding Prevailing Wage

*A Message from the Department of
Labor and Industries
and the Office of the Attorney General*



From time to time, municipalities enter into arrangements with utility companies or private contractors to equip publicly-owned facilities with energy-saving devices, including energy-efficient light retrofiting, heat-efficient window installation, air-conditioning alteration, installation of thermal insulation, and heating system alterations.

Occasionally, these cities and towns have operated under erroneous assumptions that if a significant portion of the funds used to finance these projects are provided by the utility company or the private funding source, then the Commonwealth's prevailing wage requirements are necessarily inapplicable. Moreover, the fact that the work at issue is to be performed by a contractor hired by the utility company, as opposed to the public authority, does not necessarily exempt the project from the state's prevailing wage requirements. Depending on the particular facts of the contract at issue, the prevailing wage requirements may indeed apply.

If a city or town believes that a contract to install energy-saving devices in any of its facilities may be exempt from the state's prevailing wage laws, the municipality must request that the Department of Labor and Industries review the relevant facts and render a determination on the applicability of the prevailing wage requirements to the proposed project.

Please forward requests to: Robert J. Prezioso, Depart. of Labor, (617) 727-8519. Requests must be made prior to the time any agreement is reached with a utility company.

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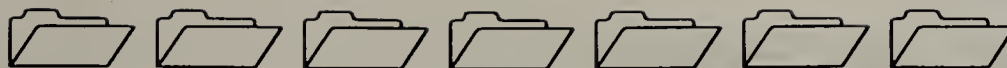
Harshbarger Receives Recognition Award From the Northeast Health Care Law En- forcement Association

In January, Attorney General Harshbarger was named the first recipient of the Northeast Health Care Law Enforcement Association's Annual Recognition Award. As such, he was honored for his leadership and aggressive approach to the problem of health care fraud, waste and abuse.

Since taking office in 1991, Harshbarger's Medicaid Fraud Control Unit has brought more than 300 indictments and has recovered more than \$27 million in funds in a variety of both criminal and civil enforcement actions against health care providers.

The Northeast Health Care Law Enforcement Association is a coordinating agency for various health care fraud investigators in the region. Its members include representatives from the Medicaid Fraud Control Units in Vermont, New Hampshire, Maine, Rhode Island, Connecticut, New York, New Jersey and Massachusetts, as well as representatives of other state and federal agencies involved with the investigation of health care fraud such as the Drug Enforcement Administration and the Federal Bureau of Investigation.



CASE WORK**Workers' Compensation:**

Workers' compensation rates are falling due to a number of cost-cutting techniques, including programs that prevent workplace injuries and audit medical bills for accuracy and double-checking fees, as well as a 1991 law passed to revamp workers' compensation claims. In 1994, employers reported that premiums for workers' compensation dropped more than 26 percent. The reforms are believed to have discouraged abuse. Meanwhile, law enforcement efforts, including those of this office, continue to combat rising costs through fraud detection and prosecution. The following are examples of recent cases handled by the AG's office.

In December, a Turner Falls man pled guilty to charges he worked as a newspaper delivery man while receiving workers' compensation benefits. The defendant had claimed to injure his knee while working as a maintenance worker at UMASS Amherst, yet he worked as a delivery person for the Greenfield recorder for four months while "disabled," collecting \$10,568 in workers compensation benefits during that time. He was sentenced to three years probation, 300 hours of community service, and ordered to pay \$10,568 in restitution.

In March, a Somerville man was indicted on multiple counts of insurance fraud, motor vehicle insurance fraud and larceny after he allegedly engaged in a scheme to defraud six insurance companies out of \$22,000 in disability benefits. A dishwasher at Bickford's Family Restaurant, the defendant was allegedly injured on the job, and, as a result, obtained total disability benefits. Shortly thereafter, he obtained a job with Legal Seafoods Restaurant and earned wages there while collecting benefits. While employed at Legal Seafoods, he was allegedly involved in an auto accident from which he claimed injury and pursued disability benefits. He also claimed a third injury while at Legal Seafoods and allegedly made fraudulent statements to secure benefits

from that incident. Finally, while still pursuing the last round of claims with Legal Seafood, the defendant leased a cab from Town Taxi. One month into that job, he alleged yet another injury suffered from a car accident. If convicted, the defendant faces a maximum of five years in state prison.

In January, A Framingham woman was placed on probation and ordered to repay \$5,000 in restitution to her insurance company for theft of workers' compensation benefits. An employee of Shaw's Supermarkets, the defendant alleged to have been injured while stocking shelves. Despite her claim of injury and receipt of total disability benefits, the defendant worked as a house cleaner and then proceeded to conceal this outside income from her insurance company. The defendant was also sentenced to serve 100 hours of community service and ordered to serve six months in jail if she fails to repay the restitution within a prescribed amount of time.

Earlier this year, a Rockland man pled guilty to one count of insurance fraud stemming from his performing in a rock and roll band while collecting total disability benefits. While employed by Grossman's Lumber Company, the defendant alleged to have been totally disabled in a job-related

accident. Despite this allegation, he performed as lead singer in a heavy metal rock band at various venues throughout the eastern part of the state. The defendant was sentenced to a two year suspended sentence, ordered to pay \$6,000 in restitution, and ordered to perform 125 hours of community service.

In November, a former state employee who worked as a social worker at the Wrentham State School was indicted for allegedly defrauding the Commonwealth and three private insurance companies of more than \$58,000. The defendant alleged to be totally disabled due to an injury at the school in 1990. She obtained disability benefits not only from the state, but also from two supplemental disability insurance carriers. Despite her alleged disability, the defendant allegedly continued to work at an identical job with a human service provider in Quincy, illegally collecting total disability benefits for nine months. During this time, she also claimed to be injured in an auto accident resulting in a claim against the Quincy employer's disability carrier. The defendant faces a maximum sentence of five years in state prison for submission of false statements to the Commonwealth.

Insurance Fraud

Last month, a Cambridge insurance agent who allegedly accepted premiums from consumers and kept them for his personal use rather than sending them on to the consumers' insurance companies, agreed to pay \$8,000 in restitution for his actions. As a result of the agent's alleged actions, numerous state consumers were rendered uninsured unknowingly, and at least one consumer suffered damage to her home for which she was uninsured. The defendant allegedly failed on more than 40 separate occasions to transmit consumers' premiums to their insurers on a timely basis. In addition to the agreement reached with the AG's office, the Division of Insurance suspended the defendant's license to act as an insurance agent in Massachusetts for six months and ordered him to pay a \$5,000 fine.

In February, two Brookline business owners were arraigned on charges of insurance fraud. From 1990 to 1992, a Swampscott man who formerly practiced as an insurance agent in Brookline allegedly defrauded several of his clients, many of whom were elderly and on fixed incomes. This defendant accepted payments for premiums from clients but allegedly failed to turn over the payments to the insurance companies he represented. In some cases he allegedly accepted initial premium checks but never activated the policies. As a result, the clients remained uninsured. In other cases, he allegedly billed clients for an entire year's premium, then signed their names to financing agreements without their

knowledge. This procedure allowed him to use the payment for himself immediately, then pay back the company at a later time, if ever.

In June of 1991, the second defendant in the case, the owner of a Brookline Village fish restaurant, had his restaurant's motor vehicle insurance policy cancelled for non-payment. In September of the same year, the owner was involved in an accident while

driving a vehicle formerly insured under the restaurant's policy. The first defendant, acting as the insurance agent for the second, represented to the restaurant's insurance company that he had sent in a reapplication for insurance prior to the accident. Subsequent investigation allegedly showed that was not the case, as the applications and the restaurant owner's check were not drafted until after the accident occurred.

Seekonk Husband and Wife Indicted for Alleged Real Estate Schemes

A Seekonk couple was indicted in March for allegedly stealing more than \$80,000 from six individuals in two different counties.

In the summer of 1994, the husband and wife team allegedly convinced a Charlestown woman to start a real estate business with the wife in question. Within two weeks of receiving the victim's \$25,000 investment, the defendant's allegedly spent the money on things other than the proposed business. It is further alleged that the husband used an entity established by his wife and her mother, called "Beacon Mortgage Trust," to swindle more than \$40,000 from two other people seeking mortgage financing. In yet another scheme, the husband allegedly fraudulently took more than \$20,000 from victims as deposits on real estate. The transactions never took place, with the couple allegedly spending the money on personal expenses.

If convicted, the defendants face a maximum five-year House of Correction sentence for each of six counts of larceny over \$250 and conspiracy.



Employment and Training

In April, the president of Golden Labor Service, Inc., was convicted of 12 counts of failure to pay employer tax contributions, four counts of workers' compensation fraud, and one count of larceny of property over \$250. Sentencing is scheduled for next month. Golden Labor, which was doing business in Lowell, provided temporary workers to client companies in MA, RI, and NH for assembly and clerical jobs. The Commonwealth alleged that the defendant misclassified his workers as independent contractors instead of employees of his agency. By changing the terminology, he avoided paying \$211,201 in employment security taxes to the Department of Employment and Training from April, 1991, through June, 1994. He also allegedly diverted approximately \$426,463 from his workers' compensation provider, by providing them with false information on the number of employees at this agency.

In March, S&C Concrete Floors & Company, Inc. and its owners pled guilty to failure to pay the prevailing wage and failure to provide and keep true and accurate records. The owners, who are brothers and are the president and vice president of S&C, also pled guilty to failure to pay employer tax contributions, failure to provide workers' compensation insurance, and unemployment fraud and larceny over \$250. The owners were sentenced to one year jail time, suspended for five years, and ordered to pay \$25,049 in restitution and another \$28,000 in fines. The company is also obligated to pay another \$14,000 in fines. All three defendants are barred from bidding on public works projects for six months. The prosecution resulted from an investigation into S&C for work performed on three public schools in Lowell.

AGenda: Fraud

In separate actions, guilty findings were entered last fall for five individuals who illegally received unemployment benefits while working for S&C Concrete.

Last November, a man pled guilty to larceny of unemployment funds and perjury for defrauding the Department of Employment and Training of over \$12,000 in unemployment benefits. He was sentenced to concurrent sentences of two and one-half years in the House of Correction, suspended for five years, on three counts of larceny. Restitution was ordered in the amount of \$12,167 to the Department of Employment and Training. On the perjury count, the defendant received a sentence of five years probation. The Commonwealth alleged that the defendant utilized three Social Security numbers and dates of birth to disguise his identity and collect the money from two D.E.T. offices between September, 1989 and July, 1991.

Last March, a Medford man admitted to sufficient facts to warrant a finding of guilty on charges of felony larceny of unemployment funds. The defendant admitted to defrauding the Department of Employment and Training out of nearly \$5,000 in unemployment benefits over a four month period. The case was continued without a finding for two years and the defendant ordered to pay full restitution of \$4,896 to the Department of Employment and Training. He also received an alternate sentence of guilty, 59 days in a House of Correction, if full restitution is not paid. The Commonwealth alleged that the defendant made a series of false and misleading statements to obtain unemployment benefits while he was employed by Roth Enterprises.

A.G. Recovers \$157,000 from Charlestown Co. *Nonprofit Allegedly Misspent State Funds*

In March, Attorney General Harshbarger announced that he recovered more than \$157,000 in state funds after a Charlestown non-profit group hired by the state allegedly misspent money, including personal expenses in Hawaii.

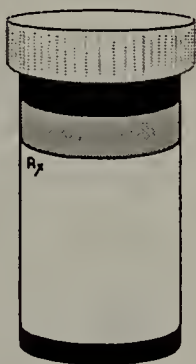
Community Outreach for Reconciliation and Empowerment, Inc. (CORE) allegedly misused public funds it received in connection with residential and non-residential services it provided for the Department of Youth Services and the Department of Social Services. According to a report by the State Auditor's office (who first alerted the AG's office to the problem), CORE's executives allegedly used company funds provided by the state to pay for unallowable expenses such as personal credit cards, personal travel expenses in Hawaii, and cars for personal use, among other expenses.

As part of the agreement reached between CORE and the AG's office, CORE merged with Spectrum Addition Services, Inc., a Milford based non-profit company. Spectrum now assumes responsibilities for all CORE services and programs and is responsible for paying the \$157,000 restitution owed to the state. Although CORE has denied the charges of misuse of state funds, Spectrum has cooperated fully with the state.



Medicaid and Health Care

In January, the Attorney General announced that Stop and Shop, Inc. will pay \$1 million to settle allegations that the supermarket chain overcharged Medicaid programs in Massachusetts, Rhode Island and Connecticut. The regional chain, based in Quincy, has agreed to pay the Massachusetts Medicaid program \$600,000 to settle the Commonwealth's portion of the claim. The agreement concludes a one-year investigation, the results of which allege that the Stop & Shop stores were not crediting certain discounts to the Medicaid program, as required by law. Programs probed include a gift certificate deal in which consumers received a \$15 gift certificate in exchange for filling new prescriptions at the chain. Investigators allege that some of the Medicaid customers received cash after making small purchases with their certificates. An audit by the AG's office also showed that Stop & Shop pharmacies had billed Medicaid using improper codes, failed to properly retain prescription documentation, and billed for Medicaid prescriptions ordered but never picked up by Medicaid customers. The regional settlement and compliance program resolves all of the outstanding issues with Stop & Shop pharmacies as well as the recently purchased Purity Supreme pharmacies.



In March, a nursing home footwear distributor pled guilty to larceny and Medicaid fraud for its role in bilking the state Medicaid program out of \$150,000. The defendant, who formerly owned and operated Comfort Shoe Clinic, Inc. in Roslindale,

devised schemes in which he defrauded the Division of Medical Assistance by overcharging for orthopedic shoes or supplying the shoes to those who didn't need them. He also overbilled Medicaid for removable arch supports, overcharged for orthopedic footwear and charged for custom-made shoe inserts that were pre-made. Following his guilty plea, the defendant was sentenced to a three to five year suspended sentence, with ten years probation. He must also pay \$150,000 in restitution, including the donation of \$30,000 worth of shoes from his shoe inventory to homeless shelters across the state. He must also perform 100 hours of community service each year he is on probation.

In January, the AG's office recovered \$170,000 from transit authorities to resolve Medicaid contract billing disputes regarding the transport of Medicaid recipients. As a result of the settlement, which was reached with Pioneer Valley Transit Authority (PVTa), Worcester Regional Transit Authority (WRTA), Merrimack Valley Transit Authority (MVTa) and Greater Attleboro Taunton Regional Transit Authority (GATRA) and the Medicaid program, the companies have agreed to pay financial adjustments to Medicaid and renegotiate contracts to take effect in the near future. In addition, each authority will provide educational programs for Medicaid recipients, designed to show them how to use less expensive fixed-route transportation to minimize reliance on more expensive taxi and van services, and to provide transportation in identified geographical areas of the state. The disputes stemmed from Medicaid's contracts with the four transit authorities to provide taxi and wheelchair van transportation for Medicaid re-

cipients. Medicaid pays for recipients' transportation to and from medical appointments. Each of the authorities had differing issues with Medicaid over the interpretation of allowable billings as set forth in their contracts. The settlement requires the WRTA to pay \$77,500, the MVRTA to pay \$5,700 and the GATRA to pay \$5,000. The PVTa was required to reimburse Medicaid for inflated mileage it mistakenly billed because of fraudulent invoices submitted by one of its subcontractors, City Cab of Springfield. (City Cab pled guilty in late December to counts of false Medicaid claims and grand larceny.) PVTa paid \$85,200, more than \$29,000 of that amount was paid as restitution and fines in the City Cab case. All four authorities have said that they did not intentionally misbill for the services provided and have denied any wrongdoing.



A Quincy pharmacy and its pharmacist owner pled guilty in December, 1995 for his part in filing false Medicaid claims and larceny over \$250.00. Involved in a scheme with a Jamaica Plain doctor, the pharmacist allegedly dispensed drugs prescribed by the doctor that were not medically necessary. The defendant allegedly also required that any patient of the Jamaica Plain doctor who had a controlled substance prescription filled at his pharmacy had to present a second prescription for a non-controlled substance before the drugs were to be dispensed. In many cases, the second non-controlled substance prescription was left at the store and then placed back into inventory for resale. Investigators allege

the doctor in question agreed to such an arrangement. The pharmacist has been sentenced to two years probation and ordered to pay \$71,000 in restitution and fines for defrauding the state's Medicaid program. The Jamaica Plain doctor's indictments are pending.

Last October, a former registered nurse pled guilty to charges of unlicensed practice of nursing, forgery, uttering, larceny and causing false Medicaid claims. The defendant worked at no fewer than eight places as a registered nurse after her license had been revoked in 1983 for taking narcotics from a hospital for personal use. During that time, the defendant misrepresented herself as a registered nurse, forged her nursing license to obtain nursing jobs, and caused the facilities to file false claims as a result of her misrepresentation. The defendant was also charged with defrauding the facilities into paying her the salary of a registered nurse. In total, the theft from her employers was approximately \$70,000. The defendant was sentenced to serve six months in a House of Correction and three years probation. She is also barred from employment in the health care field.

In January, the Attorney General's office, together with the Division of Medical Assistance (DMA), reached agreements with a Lynn and a Jamaica Plain Dentist in which the two have agreed to pay a total of \$500,000 in penalties to settle unrelated allegations of Medicaid fraud and abuse in their separate billing practices. The agreements come as a result of joint fraud and abuse investigations into Medicaid providers by Harshbarger's Medicaid Fraud Control Unit and the DMA, the state program which administers health care services to

Medicaid beneficiaries in the state. The Lynn doctor, who investigators allege had a history of inappropriate billing for dental services to Medicaid, agreed to pay \$375,000. She also agreed to withdraw as a provider of dental services to Medicaid Beneficiaries. The Jamaica Plain dentist paid \$125,000, including restitution and penalties, and has agreed to a court ordered compliance program and future audit by the DMA. According to investigators, both dentists allegedly:

- billed more than the maximum allowable charge;
- billed for services not covered by Medicaid; and
- billed for services to patients who were not yet Medicaid eligible.

A Leominster physician was charged last December with 101 counts of Medicaid fraud and state controlled substance violations as the result of a continuing investigation by the AG's office, the Mass. Board of Registration in Medicine and the federal Drug Enforcement Administration (DEA). As part of the investigation, the DEA had simultaneously served an administrative inspection warrant at the Laurel Street Pharmacy while making unannounced inspections at four pharmacies in the Worcester County area where they believed drug addicts were allegedly obtaining medically unnecessary drugs. Investigators allege the defendant wrote the prescriptions for the controlled substances which were then taken to area pharmacies to be filled. Pharmacists then charged the drugs to the Medicaid program. In addition the physician also billed the patient visits from which he wrote the prescriptions to Medicaid. The AG's Medicaid Fraud Control Unit (MFCU) alleges that neither the visits nor the prescriptions were

medically necessary. If convicted, the defendant faces up to five years in state prison on each of the felony drug and fraud counts. The investigation was prompted by concern of local law enforcement agencies and physicians practicing in the Fitchburg-Leominster area who had become concerned over the number of addicts appearing in custody and in emergency rooms intoxicated on drug prescribed by the physician.



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Prevailing Wage / Non-Payment of Wages

Wage law abuses make up twenty percent of the AG's Fair Labor and Business Protection Bureau's work load. More than 800 cases of alleged abuse of the state's prevailing wage law are under investigation by Harshbarger's office. The following are a few examples of the cases recently handled.

In February, a Hadley woman paid full restitution to her former pub employees to the tune of \$13,000. The woman had been arrested and arraigned in Connecticut last January on fugitive from justice charges for failing to comply with a court order to pay the restitution. The defendant pled guilty in 1990 to three counts of nonpayment of wages to employees of the Trojan Horse Pub and, at that time, was sentenced to three 60-day terms in jail - stayed on the condition that she make full restitution. However, after paying only 7,600 of the \$20,650 owed her employees, the defendant fled the state. A warrant for her arrest was subsequently issued and the former pub owner was located in Connecticut and arrested at the site of a restaurant she was about to open there.

Also in February, the Elevator Maintenance and Repair, Inc., of Worcester, its president and treasurer/clerk, each admitted to sufficient facts they failed to pay their six employees the state's prevailing wage and overtime worth more than \$23,000. The defendants, who were found guilty on counts of failure to pay the prevailing wage, failure to pay overtime wages, and failure to provide true and accurate payroll records, were sentenced to three years probation and full restitution at the rate of \$1,000 per month. In addition, they were fined \$10,000 and debarred from bidding on public works contracts for 60 days. The firm had been under contract with the Monson Developmental Center, the North

Central Correctional Institution in Gardner, and the Springfield School Department at the time they failed to pay their employees the mandated wage for these contracts or the appropriate over-time due them.

Last November, the Centerville contracting company, S.V. Raleigh Development Corporation and its president were debarred from public works projects for six months and ordered to pay \$15,000 in restitution to its employees for work they had performed, but for which they were underpaid, on five public projects around the state. The workers were paid up to \$20-per-hour less than the state mandated prevailing wage for the steel worker jobs they performed. The jobs included Mass. Highway Department construction jobs in Oxford, Bridgewater and Freetown, a Division of Capital Planning and Operations job at MCI-Concord, and a Braintree Electric Light Department garage construction project.

Last November, the Attorney General also announced that his office had reached an agreement with Meter and Backflow Services, Inc., of New Hampshire in which his office gained \$27,000 for underpaid workers of that company. The contractor had underpaid workers by up to \$19-per-hour less than the state prevailing wage for plumbing work. The employees of the company worked on the installation of water meters for the town of Adams in 1993. In addition to the restitution, the company also agreed to make a \$5,000 contribution to

the AG's Student Conflict Resolution Experts (SCORE) program, a violence prevention program in 27 middle and high schools throughout the state.

In December, the owner of J.C. Bostonian, a Roxbury-based landscaping company, was barred from bidding on public works projects for three months and ordered to pay more than \$12,000 in restitution to five workers after he violated the state's prevailing wage law. The case stems from a 1990 project when J.C. Bostonian was landscaping the Danehy Park in Cambridge. The owner admitted to underpaying his workers by up to \$8-per-hour on the project. In addition to the other penalties, the defendant must also pay \$1,000 in court costs.

Earlier this year, two criminal complaints were issued against Ouellet Drywall, Inc., of New Hampshire and its president for failing to pay the prevailing wage and failing to provide true and accurate payroll records. The company allegedly underpaid carpenters working on the Cambridge Senior Center in 1994 - 1995 by up to \$25-per-hour less than the prevailing wage rate. The company allegedly owes more than \$60,000 in back wages to its employees. If convicted, they each face a six-month debarment from bidding on public works projects and fines of up to \$20,000.



Auto Insurance

Rates for auto insurance premiums in 1996 were cut 4.5 percent. The decrease reflects in great part the success of the AG's office and the insurance industry in investigating and prosecuting cases of fraudulent insurance claims. This year's decrease represents the second consecutive year that rates on private passenger insurance have decreased. Some examples of recent cases that have helped bring about a decrease in insurance rates follow.

A Rehoboth man pled guilty last month to concealing a stolen motor vehicle in order to defraud an insurer. The defendant admitted to staging the theft of his sister's BMW to defraud her insurance company, as well as concealing parts from the vehicle on his father's property as well as in a storage compartment in East Providence. Sentencing of the defendant has been stayed pending his cooperation in the prosecution of a case against his father. At that time, the state will recommend a two year suspended sentence and restitution totalling \$7,500.

Also last month, a Cambridge man pled guilty to charges that he staged an automobile accident to help two other men file fraudulent personal injury claims. The defendant helped the two, who allegedly staged the auto accident, by supplying them with a car that was intentionally driven into another car. He then hid his vehicle and reported it stolen to corroborate a hit-and-run accident claim. Following the "accident," the other two men filed personal injury claims with their insurance company, which were denied following an investigation. Charges have also been filed against the other two.

In November, 1995, a Wakefield man pled guilty and was sentenced for his part in a motor vehicle insurance fraud ring. The defendant was sentenced to one year in jail and six months of home confinement with an electronic bracelet following his release. He was also ordered to pay back \$25,000 in restitution. The

defendant headed a motor vehicle insurance fraud ring that operated in the Lowell area over a five-year period from 1988 to 1992. He was involved in a series of accidents in which he claimed to sustain injuries. He attempted to collect payment for lost wages from jobs he never held and injuries he never suffered by submitting false employment forms and accident insurance claims to four different insurance agencies.

A Worcester used car dealer was convicted last December of motor vehicle insurance fraud and larceny over \$250 for stealing nearly \$15,000 through fraudulent automobile insurance claims. The defendant was convicted in connection with four auto accident claims totalling \$60,000. He had recruited several others to help him stage two car accidents in Worcester and then presented collision, care rental and personal injury claims to the companies that insured the vehicles. After an investigation, the insurance companies found that none of the cars said to be involved in the accidents actually were. The car dealer was sentenced to one year in jail and was ordered to pay \$14,728.68 in restitution to three insurance companies he defrauded, \$28,750 in fines and surcharges and \$340 in victim/witness fees. Two co-defendants pled guilty last Fall to participating in one of the fraudulent schemes, the first is serving a six month jail term and the other is currently on probation. A case against a fourth individual is still pending.

The owner of Nationwide Plate and Glass Company (located in Randolph and Dorchester) pled guilty in March to charges he overcharged insurance companies for replaced windshields and motor vehicle glass for nearly five years. During that time, he submitted false information about alleged repairs he made. The defendant would inflate the value of the glass he installed, often submitting bills for windshields of more expensive cars than the ones he was repairing. As a result, he took nearly \$57,000 in illegal insurance payments. He was sentenced to two months in jail, followed by three months house arrest, five years probation, 100 hours of community service, and was ordered to repay \$56,905 to the insurance companies from which he stole.

An investigation conducted by the Governor's Auto Theft Strike Force revealed that Holland Used Auto Parts, a scrap yard in Billerica, participated in the disappearance of cars that later became the subject of insurance claims or stolen motor vehicle reports. Holland did not keep proper records of cars that were scrapped at the business and did not report motor vehicle titles or VINS to the Registry when a car was crushed, as required by statute. These practices allowed local car thieves to process stolen cars through the business. A review of the business logbook turned up 37 stolen cars in a six month period.



Embezzlement / Larceny

Last November, a Revere woman pled guilty to embezzling more than \$74,000 from the non-profit corporation that employed her, Massachusetts Continuing Legal Education, Inc., (MCLE). A bookkeeper, the defendant stole money two different ways from MCLE over a 15-month period. First, she misappropriated more than \$18,000 in cash she was suppose to deposit in MCLE bank accounts and covered up the theft by falsifying entries in the corporate books. Second, she stole more than \$56,000 by causing MCLE funds to be credited as refunds to her own credit card accounts and to the credit card accounts of a friend. A bank employee discovered the scheme when he noticed the credits to the defendant's account with no corresponding payments to MCLE. The defendant was sentenced to concurrent terms of two years in jail, suspended for one, with probation, and ordered to pay \$75,000 restitution.

The CEO of Alonzo B. Reed, Inc., a Boston architectural and engineering firm, was indicted in December on charges he embezzled \$29,000 in funds allegedly taken from employees' 401(K) retirement plan accounts and group health insurance funds. He was also indicted on charges he failed to pay state taxes withheld from employees' pay and failed to file personal state income tax returns. The case arose from employee complaints that the executive had not paid health insurance carrier premiums with money withheld from their checks, but instead allegedly convert the money for his own use. The AG's office has been working with the U.S.

Department of Labor, which enforces federal laws governing employee benefit plans, to combat the problem of alleged employer abuse of benefit plans.

In December, a former DPU temporary employee was convicted on charges of stealing Dept. of Revenue (DOR) checks, forgery and cashing the checks. The defendant had stolen DOR travel reimbursement checks and then made the checks payable to himself, imprinting a stamp of the Commissioner's signature. He then cashed the checks at check cashing stores around greater Boston. He stole approximately \$13,400. The Judge sentenced the defendant to a two-to-three-year state prison sentence and ordered him to also make full restitution.

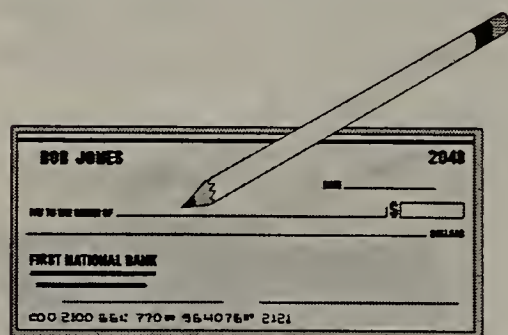
A Gardner-area woman was indicted last fall for stealing more than \$70,000 from her former employer, Digital Equipment Corp. While employed as an administrative secretary at DEC's Foxborough office, she allegedly forged a supervisor's name on vouchers used by the company to process and authorize repayment of bogus job-related employee expenses. As a result, the company unknowingly wired funds into the defendant's account at DEC's credit union. If convicted, the defendant faces a maximum penalty of five years in prison on a larceny charge and ten years in prison on forgery, uttering, and false entry charges.

In March, a former Raynham housing official pled guilty to embezzling more than \$17,000 from that city's housing authority. As the authority's executive director, the defendant forged the signatures of board members on 24 checks totalling \$16,750 and falsified another check for \$500. The checks were drawn primarily from an account earmarked for housing for elderly and disabled individuals. He

also submitted bogus expense vouchers to the housing authority. The defendant then gambled away most of the money at Foxwoods Casino in Conn. A judge sentenced him to one year in jail, six months to serve under house arrest, wearing an electronic monitoring bracelet. He must also seek gambling counseling. The defendant has already paid full restitution of \$17,250.

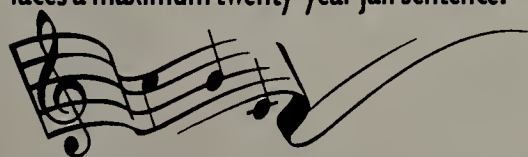
In January, a Springfield couple behind a credit card fraud ring pled guilty to charges of larceny, credit card fraud, and receiving stolen property. The husband and wife team participated in a scheme where he, working in a pharmacy, illegally obtained the identities of several people from the pharmacy computer and then, with his wife, applied for credit cards with the information obtained. Countless items obtained with the credit cards include a \$4,000 diamond ring, bedroom sets, a computer and even a new Toyota Celica. In all, police seized about \$15,000 worth of goods from the couple's apartment. The two were sentenced to a four-year jail term, 30 days to be served, with the balance to be served on probation. They are also to pay full restitution and receive drug counseling.

In February, a former Essex County Jail deputy superintendent was sentenced to a suspended three-to-five year state prison for embezzling \$6,400 from the jail's detail account. He has also been ordered to repay the funds. The defendant, who was in charge of assigning details and paying deputies for those worked, issued himself checks out of the account for details he never worked. As a condition of the probation, the defendant must serve 50 hours of community service in addition to the payment of full restitution.



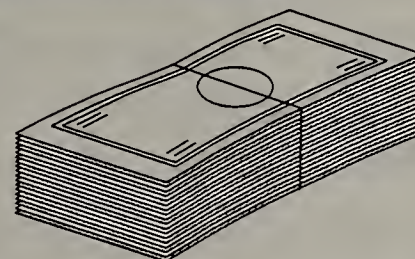
The former executive director of a Roxbury charity pled guilty in February to charges she embezzled nearly \$20,000 from the charity. The defendant stole funds from Traditional Childbearing, Inc., by forging endorsements and cashing extra employee paychecks. In addition, she reimbursed herself for overtime to which she was not entitled, consulting services she never performed and an oxygen tank she never actually purchased for the facility. She also stole the charity's computer. The defendant also lied to the Department of Public Health about the charity's delinquent payroll tax payment in order to obtain \$69,000 in annual funding. The judge in the case sentenced the defendant to two years in jail suspended for four. She must pay \$19,262 in restitution, and perform 200 hours of community service. She is also prohibited from taking any position of financial responsibility with a nonprofit institution for four years.

In March, a former executive of the New England Conservatory of Music was indicted on charges he stole approximately \$100,000 from the school. As the school's administrative director, the defendant was responsible for handling the receipt and deposits of tuition payments and also coordinated funding for two annual youth symphony tours. As part of the alleged scheme, the defendant allegedly stole about \$71,000 intended for the youth tours by submitting fraudulent invoices to the Conservatory in the name of bogus travel agencies. He then allegedly deposited the money into his personal checking account. He also stole more than \$20,000 by pocketing cash tuition payments and issuing tuition reimbursements to his own personal credit card. The defendant has since resigned from his position. If convicted, he faces a maximum twenty-year jail sentence.



Swampscott Man Sentenced to 6-10 years for Selling Fraudulent Securities & Larceny

A former Swampscott stockbroker who cheated people in three counties out of approximately \$140,000 through phony investment scams has been sentenced to six-to-10 years in prison.



The defendant worked as a stockbroker until his registration with the Mass. Secretary of State lapsed in December of 1989, and subsequently held a number of other jobs, including grocery stocking clerk and insurance salesman. Between 1991 and 1993, he defrauded 13 individuals by convincing them to give him money to invest in securities. In one scheme, he convinced co-workers and acquaintances to give him large sums of money to invest in a computer firm that he said was about to go public. The computer firm had actually closed down months before. The defendant also convinced co-workers to invest in bank stocks and securities of a high-tech firm; however there is no record of him ever buying the stock or that the firm ever existed. In many cases, the defendant told investors he was a licensed stockbroker. None of the victims received any of the promised profits and most did not receive their original investments back, although the defendant did make partial payments to some.

The case was referred to the AG's office by the Secretary of State's Securities Division, which also assisted in the investigation.

Fall River Man Pleads Guilty to Swindling \$119,000 from 15 Families

In April, a Fall River man pled guilty to charges he stole more than \$119,000 from 15 victims after he posed illegally as a lawyer and mortgage broker when he was not. Posing as an attorney, a mortgage broker and a financial planner, the defendant promised victims he could assist them in securing home financing, mortgages, or even acquiring passports. He then would take their deposits or fees and pocket them, and would never provide the promised service.

In one case, a man trying to buy a house offered to put \$44,000 in to an escrow account. The defendant said he would handle setting up the account, but he never did, instead making off with the money.

The defendant faces state prison sentences for charges of larceny over \$250, larceny, unauthorized practice of law, false or forged records, uttering a forged record, uttering, passing or tendering a worthless bank note.

A.G., D.O.R. Conduct Annual Tax Sweep; 15 Indicted on Criminal Tax Charges

What do a vice president of finance, a shoe salesman and an attorney for reputed mob figures have in common? Along with twelve others, these individuals were all charged with criminal tax charges as part of the state's annual sweep to crack down on tax cheating or evasion.

In April, fifteen individuals were indicted on tax charges ranging from failure to file income tax returns, filing false tax returns, failing to account for sales and withholding taxes and income tax evasion. The indictments involve over \$7 million dollars in unreported taxable sales or income on which \$330,000 in revenue is owed to state taxpayers. On a case by case basis, individuals indicted owe taxes ranging from \$1,000 to \$58,000.

The Department of Revenue independently funds tax prosecution within AG Harshbarger's Economic Crimes Division, to develop and prosecute criminal tax cases. The cases involved in the sweep were all developed by the DOR's Criminal Investigations Bureau and are being prosecuted by several assistant attorneys general from the AG's office. If convicted, defendants face House of Correction sentences ranging from one year for failure to file a tax return or to pay taxes, to up to five years in state prison for tax evasion and failure to account for and pay over taxes to the state. Criminal fines on these charges can range from \$10,000 to \$1000,000 for each count.

